



# **The structure, purpose, energy and impact of the Third Sector in the West Midlands**

**A digest of findings from  
Third Sector Trends 2022**



## About the author

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The contents of the report express the views of the author and do not necessarily reflect the views or policies of the commissioning partners.

## Third Sector Trends Study

Data in this report are drawn from the Third Sector Trends study which was conceived and originally commissioned by Northern Rock Foundation with research conducted by the universities of Southampton, Teesside and Durham. The Community Foundation Tyne & Wear and Northumberland was a co-founder of the research and is now responsible for its legacy.

The Community Foundation and St Chad's College have worked with partners: Power to Change, Barrow Cadbury Trust and Millfield House Foundation to undertake the Third Sector Trends Study survey in 2022-23

All publications from the Third Sector Trends study are available free to download at this address:

<https://www.communityfoundation.org.uk/knowledge-and-leadership/third-sector-trends-research/>



## Published by

Community Foundation Tyne & Wear and Northumberland  
Philanthropy House  
Woodbine Road  
Gosforth  
Newcastle upon Tyne NE3 1DD

<https://www.communityfoundation.org.uk/>

June 2023

## Acknowledgements

Third Sector Trends is a joint effort involving many people and organisations. The study could not continue without the enormous amount of support the study receives.

I would like to thank all the participants in the study who took the time to do the survey and to write about their experiences. Many of the people who responded will have been involved in the study for many years now. So my thanks go to them for sticking with it this far and hopefully continuing to take part in 2025.

I am enormously grateful to the organisations which have funded the study in 2022: Community Foundation Tyne & Wear and Northumberland, Power to Change, Barrow Cadbury Trust and Millfield House Foundation.

This is the first time the study has been undertaken in depth in the West Midlands. I would like to convey my thanks to Sara Llewellyn and Debbie Pippard at Barrow Cadbury Trust for investing in the project and supporting it throughout.

Assistance was also provided by many local infrastructure organisations across the region and by Heart of England Community Foundation which helped to boost response numbers. The study would have been much less successful without this support.

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# Introduction

## The Third Sector Trends study

Third Sector Trends was initiated in 2008 in North East England and Cumbria. It is a longitudinal study which explores the structure and dynamics of the voluntary, community and social enterprise sector in the context of change. The range of the study has widened over the years to include Yorkshire in 2010, the remainder of North West England in 2016 and across England and Wales in 2019. The longitudinal survey work has been repeated six times so far.

In 2022 the study was supported by Community Foundation Tyne & Wear and Northumberland, Barrow Cadbury Trust, Power to Change and Millfield House Foundation. The study examines how Third Sector organisations, with a wide range of characteristics and working in different local contexts, fare over time. It is the only long-running survey of its kind in the UK.

This report provides a digest of key findings from the main national reports to highlight the situation in the West Midlands in a comparative context. Additional analysis is provided for local areas in the West Midlands on sector structure.

## Purpose of this report

This is the first report from the Third Sector Trends study on the West Midlands. This means that it is not possible to undertake time series analysis. In 2025 when the study is repeated it will be possible to make comparisons over time, but it will not be until 2028 that convincing trend analysis can be undertaken. The report will be divided into four substantive sections which provide analysis on the following topics for the West Midlands in comparative context:

- **Sector structure:** data are presented on organisational size, legal form and spatial location.
- **Sector purpose:** evidence on the sector's level of commitment to beneficiary groups is presented together with data on perceptions of social impact.
- **Sector energy:** employees and regular volunteers provide the days worked which constitute sector energy. Estimates are provided on the extent of this energy at local and regional level.
- **Sector impact:** impact is difficult to measure, but Third Sector Trends has devised a technique to measure and assess impact. Regional level assessments of impact for the West Midlands are presented in comparative context.

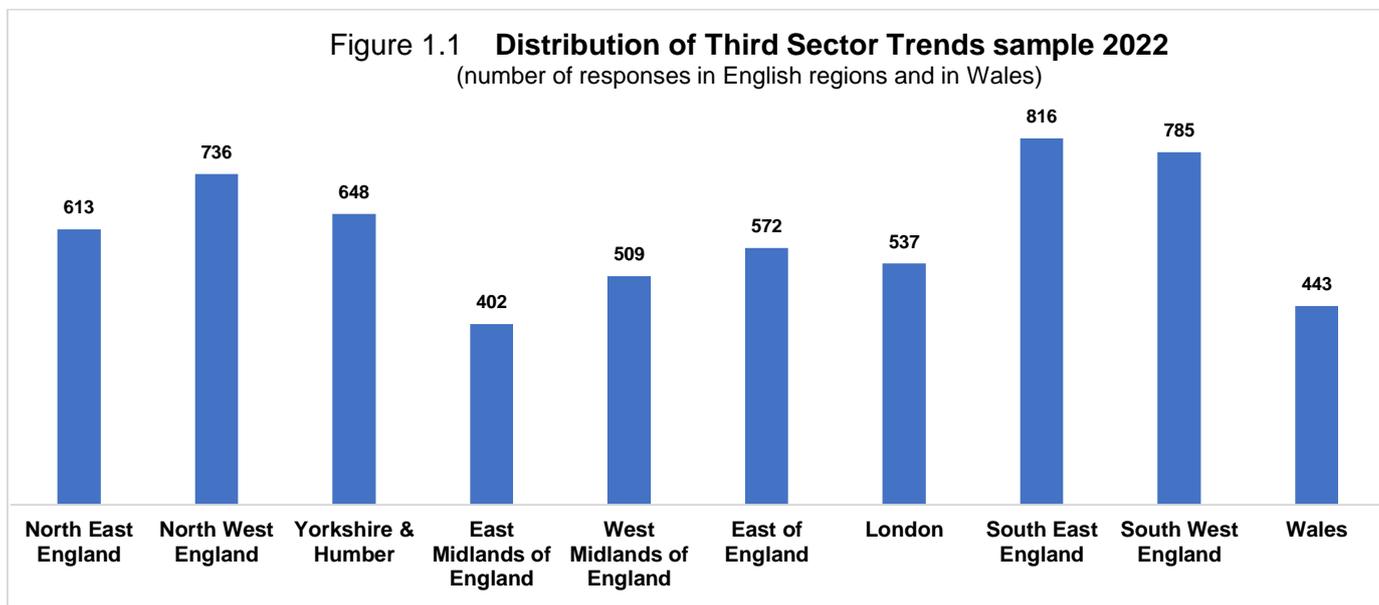
## Research methods and survey sample<sup>1</sup>

Fieldwork began in June and concluded at the end of September 2022. This involved the use of an online survey which produced 6,070 responses across England and Wales. The majority of responses were collected by sending direct email invitations to listings of charity leaders drawn from the Charity Commission (4,809 returns representing a 4.3% response rate from a sample frame of 110,930 charities).

This was supplemented by appeals to join the survey by local infrastructure organisations (such as councils for voluntary service), community foundations and charitable trusts and foundations. This produced 1,263 additional returns. Survey returns were distributed across Wales and English regions as shown in Figure 1.1.

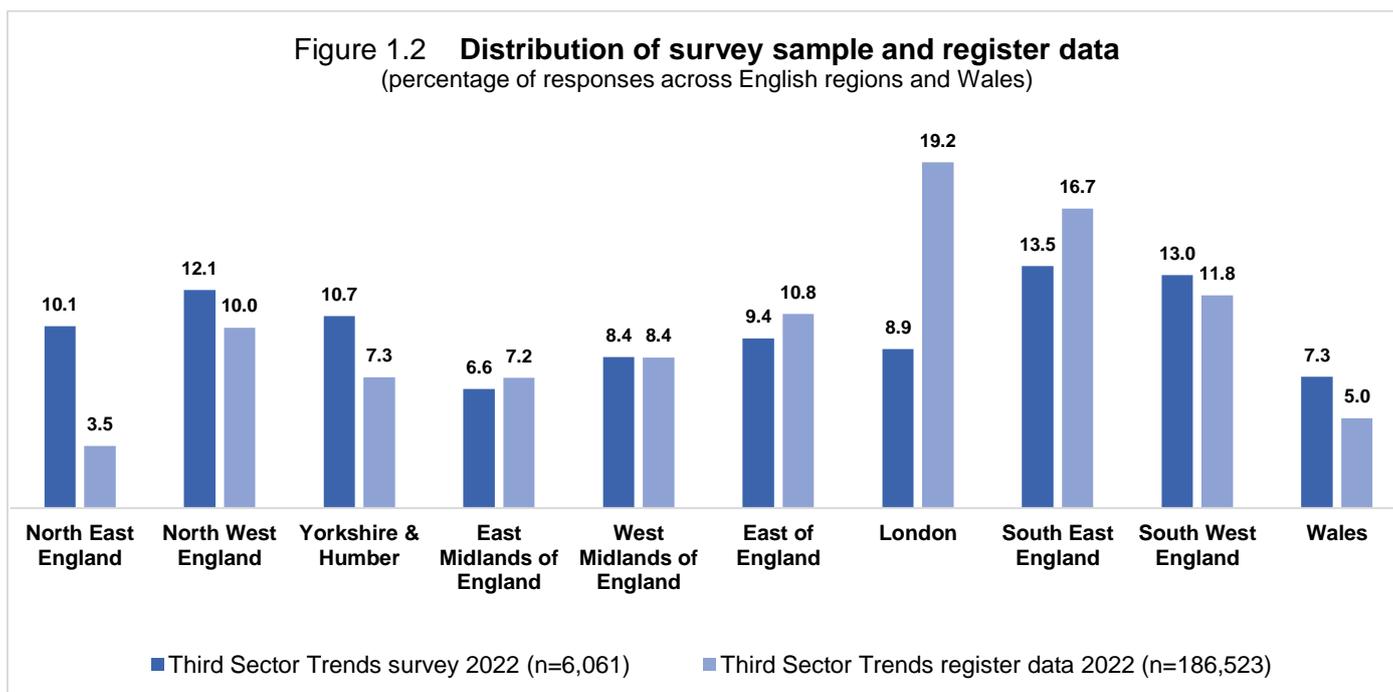
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<sup>1</sup> A separate report is available which details the research methodology employed in the Third Sector Trends surveys. This can be accessed here: [Technical paper on research methodologies, October 2022](#).



The large number of survey respondents provides a strong basis for detailed analysis of sector dynamics. As a sample survey, however, there are insufficient data to make reliable assessments of sector structure, purpose and impact. Consequently, the study established a database on Third Sector Organisations in England and Wales drawn from the full range of available registers. This data set includes 187,000 organisations.<sup>2</sup>

Using evidence from the Third Sector Trends registers database, it is possible to show how representative survey data are. As shown in Figure 1.2 there is a close match between the sample data and register data in most English regions and in Wales. The exceptions are North East England, where the study began and where there is a stronger local commitment to invest in the process. In London, by contrast, the response rate was much lower than other regions.



<sup>2</sup> Full details on this database and how it was constructed is available in a technical paper on analytical techniques adopted in the Third Sector Trends study which can be found here: [Technical working paper on analytical techniques](#). A paper has also been produced on research methods and sample structure for the 2022 survey which can be found here: [Third Sector Trends in England and Wales 2022 Research Methodology](#).

## 2 Sector structure

The Third Sector Trends study is primarily concerned with the contribution of the Third Sector to social, economic and environmental wellbeing of localities. Consequently, the study excludes analysis of major charitable organisations with income above £25million. NCVO collate substantive data on the activities and resources of larger charities which is reported in their annual Civil Society Almanac.<sup>3</sup>

In England and Wales, it is estimated that there are about 200,000 registered Third Sector organisations (TSOs). These organisations are not distributed evenly across Wales and English regions. Instead, as shown in Table 2.1 there is a higher concentration of TSOs per 1,000 members of the local population in more affluent regions such as South East England than is the case in poorer regions such as North East England.

In the West Midlands there are about 16,750 registered organisations. There are 2.8 registered organisations per 1,000 resident population. This is a comparatively low level of TSO density.

While little is understood about the size, purpose and location of informal groups that sit 'under the radar' of registered TSOs, it is estimated that there may be about 21,500 informal groups in the West Midlands.<sup>4</sup>

	Estimated Number of TSOs	Percentage of TSOs in each region	Population in each region (millions) <sup>5</sup>	TSOs per 1,000 population
North East England	6,922	3.5	2.6	2.7
North West England	20,095	10.0	7.4	2.7
Yorkshire and Humber	14,568	7.3	5.5	2.6
East Midlands of England	14,491	7.2	4.9	3.0
<b>West Midlands of England</b>	<b>16,751</b>	<b>8.4</b>	<b>6.0</b>	<b>2.8</b>
East of England	21,610	10.8	6.3	3.4
London	38,485	19.2	8.8	4.4
South East England	33,353	16.7	9.3	3.6
South West England	23,683	11.8	5.7	4.2
Wales	10,041	5.0	3.1	3.2
England and Wales	200,000	100.0	59.6	3.4

<sup>3</sup> The most recent data from NCVOs Civil Society Almanac is available [here](#).

<sup>4</sup> See Third Sector Trends in England and Wales research methodology for details on how this estimate is arrived at, *op. cit.*

<sup>5</sup> ONS Regional population estimates, 5<sup>th</sup> September 2022, [Population and household estimates, England and Wales - Office for National Statistics \(ons.gov.uk\)](#)

The Third Sector Trends register dataset includes most organisations from registers – with the exception of, amongst others, political parties, trade unions, private schools, universities and hospital trusts.<sup>6</sup> At present, a substantial number of constituted organisations remain unregistered, (estimated at 12,700) such as exempted faith groups. Table 2.2(a) shows the distribution of registered TSOs by region.

The distribution of TSOs by legal form varies by region/nation. In Wales, North East England, North West England, Yorkshire and Humber and the West Midlands of England, there is a noticeably higher proportion of registered societies. This is likely to be related to the industrial heritage of these regions where charitable status may have been eschewed for political and cultural reasons. In the East of England, South East England and South West England, there tend to be a higher proportion of registered charities.

The distribution of Charitable Incorporated Organisations (CIOs) is relatively even, but Community Interest Companies (CICs) - which are more prevalent in more urbanised regions of North East England, North West England, the West Midlands and London. But there is also a concentration of CICs in South West England.

Community Amateur Sport Clubs (CASCs) are distributed fairly evenly across regions - with the exception of London where there are many fewer. CASCs, though large in number, only constitute a small proportion of sport related TSOs. Many more are registered as Charities, CIOs, CICs and Registered Societies.

Table 2.2(b) provides statistics on legal form for local authority areas in the West Midlands. It is shown that there tend to be larger proportions of charities and CIOs in non-metropolitan areas (such as Stratford on Avon or Staffordshire Moorlands). CICs and Registered societies tend to be more populous in metropolitan or major urban areas (such as Stoke on Trent or Birmingham).

Table 2.2(a) Wales and English regional distribution of charities by legal form						
	Charities	Charitable Incorporated Organisations	Community Interest Companies	Registered Societies	Community Amateur Sport Clubs	N=
North East England	60.3	10.8	17.2	8.0	3.7	6,458
North West England	66.1	9.8	15.4	5.1	3.6	18,747
Yorkshire and Humber	67.8	11.0	11.0	6.3	3.9	13,591
East Midlands of England	72.3	9.7	10.1	4.3	3.6	13,519
<b>West Midlands of England</b>	<b>67.9</b>	<b>8.8</b>	<b>14.9</b>	<b>5.2</b>	<b>3.2</b>	<b>15,628</b>
East of England	75.4	9.0	8.5	3.6	3.5	20,161
London	70.6	12.0	12.7	3.4	1.3	35,904
South East England	72.5	10.2	9.4	3.9	4.0	31,116
South West England	70.0	8.7	12.4	4.9	3.9	22,095
Wales	67.1	13.7	9.8	6.1	3.4	9,368
England and Wales	70.1	10.3	11.8	4.6	3.2	186,587

<sup>6</sup> Full details of exclusions and inclusions is available in the technical paper on sector structure, see section 1: Definitions and data sources, 2022 *ibid.*:

Table 2.2(b) West Midlands regional distribution of charities by legal form						
	Charities	Charitable Incorporated Organisations	Community Interest Companies	Community Amateur Sport Clubs	Registered Societies	N=
Herefordshire	72.8	6.0	13.2	2.9	5.1	1,025
Telford and Wrekin	72.3	9.3	10.7	4.2	3.4	354
Stoke-on-Trent	52.1	16.0	22.1	4.8	5.0	457
Shropshire	73.8	6.8	10.2	4.4	4.8	1,437
Cannock Chase	65.1	11.6	10.3	2.7	10.3	146
East Staffordshire	73.7	9.5	9.8	5.0	2.1	338
Lichfield	70.8	11.1	8.2	3.8	6.1	342
Newcastle-under-Lyme	68.6	10.0	9.6	2.7	9.2	261
South Staffordshire	77.8	4.7	6.6	4.7	6.2	257
Stafford	76.5	6.6	8.1	5.7	3.1	455
Staffordshire Moorlands	77.0	6.1	10.8	2.2	4.0	278
Tamworth	66.4	8.6	14.7	2.6	7.8	116
North Warwickshire	69.8	7.1	10.7	7.1	5.3	169
Nuneaton and Bedworth	72.0	5.2	8.8	3.1	10.9	193
Rugby	78.3	8.0	6.7	4.5	2.5	314
Stratford-on-Avon	76.0	7.0	7.5	6.0	3.4	597
Warwick	75.8	8.6	6.9	3.7	5.1	594
Bromsgrove	71.5	8.4	9.9	3.0	7.2	263
Malvern Hills	77.2	7.3	10.2	2.2	3.1	413
Redditch	66.4	9.6	15.1	3.4	5.5	146
Worcester	72.6	9.5	10.4	2.2	5.4	317
Wychavon	75.6	6.7	8.7	5.1	3.9	492
Wyre Forest	73.4	8.1	8.9	6.2	3.5	259
Birmingham	57.1	10.7	24.9	1.3	6.0	3,031
Coventry	64.3	10.9	18.2	1.7	4.9	708
Dudley	71.6	8.0	13.1	3.8	3.4	609
Sandwell	61.4	9.5	20.6	1.4	7.2	515
Solihull	70.1	7.2	13.7	4.1	4.9	556
Walsall	61.7	8.5	22.0	2.1	5.6	481
Wolverhampton	56.8	10.3	25.6	1.6	5.7	507
<b>West Midlands</b>	<b>67.9</b>	<b>8.9</b>	<b>14.8</b>	<b>3.2</b>	<b>5.1</b>	<b>15,630</b>

The population of TSOs in the local Third Sector in England and Wales is shown in Table 2.3(a). It is clear from these data that the structure of the Third Sector is broadly similar across English regions and Wales – with the exception of London where there is a much bigger proportion of large organisations.

In the West Midlands, the distribution of TSOs by size is quite similar to the three northern regions. But there is a higher proportion of smaller organisations due to the social geography of the area. A larger proportion of the West Midlands is comprised of ‘town and country’ areas (in, for example, Shropshire and Herefordshire).

Variations in distribution by local authority areas are shown in Table 2.3(b). It is shown that in core metropolitan cities or major urban areas, there is more of a concentration of the biggest TSOs (for example, Birmingham, Coventry and Stoke on Trent). There are very few big organisations in the least densely populated areas (such as Staffordshire Moorlands, Wyre Forest and Cannock Chase).

Table 2.3(a) Distribution of TSOs by size in Wales and English regions 2022						
	Micro (£10,000 or less)	Small (£10,001- £50,000)	Medium (£50,001 - £250,000)	Large (£250,001 - £1m)	Big (£1m – £25m)	Registered TSOs in each region
North East England	34.1	27.7	23.1	10.2	5.0	6,922
North West England	35.1	27.9	23.6	8.9	4.6	20,095
Yorkshire & Humber	35.8	28.5	23.2	8.4	4.1	14,568
East Midlands of England	41.9	28.4	19.6	6.7	3.4	14,491
<b>West Midlands of England</b>	<b>37.3</b>	<b>28.7</b>	<b>21.5</b>	<b>8.1</b>	<b>4.4</b>	<b>16,751</b>
East of England	39.6	28.8	21.4	6.7	3.6	21,610
London	25.3	24.1	25.9	14.7	10.0	38,485
South East England	32.2	31.7	23.4	7.8	4.8	33,353
South West England	38.6	29.9	21.1	6.8	3.7	23,683
Wales	41.2	29.6	18.4	7.1	3.7	10,041
England and Wales	34.7	28.4	22.7	8.9	5.2	200,000

<b>Table 2.3 Distribution of TSOs by local authority area in the West Midlands 2022</b>						
	<b>Micro</b> (£10,000 or less)	<b>Small</b> (£10,001 - £50,000)	<b>Medium</b> (£50,001 - £250,000)	<b>Large</b> (£250,001 - £1m)	<b>Big</b> (£1m – £25m)	<b>Registered TSOs in each region</b>
Herefordshire, County of	46.1	28.2	16.1	6.4	3.2	1,025
Telford and Wrekin	36.4	27.9	23.3	10.1	2.3	354
Stoke-on-Trent	26.2	30.4	24.3	12.5	6.5	457
Shropshire	47.2	28.8	15.6	5.9	2.5	1,437
Cannock Chase	51.1	24.5	20.2	2.1	2.1	146
East Staffordshire	50.0	22.8	18.1	6.7	2.4	338
Lichfield	35.8	31.7	21.4	7.8	3.3	342
Newcastle-under-Lyme	41.4	35.9	15.5	4.4	2.8	261
South Staffordshire	47.3	31.3	16.9	3.0	1.5	257
Stafford	44.0	29.4	15.5	7.9	3.2	455
Staffordshire Moorlands	48.8	34.0	14.3	2.5	0.5	278
Tamworth	35.8	35.8	18.5	6.2	3.7	116
North Warwickshire	47.5	32.0	13.1	2.5	4.9	169
Nuneaton and Bedworth	32.2	32.9	23.1	9.1	2.8	193
Rugby	40.2	30.3	15.5	8.4	5.6	314
Stratford-on-Avon	48.2	28.2	13.8	6.6	3.2	597
Warwick	30.8	31.4	23.3	10.5	4.0	594
Bromsgrove	28.6	33.2	26.1	8.0	4.0	263
Malvern Hills	49.0	26.8	15.3	5.3	3.5	413
Redditch	52.3	26.6	14.7	3.7	2.8	146
Worcester	29.4	24.6	23.4	14.1	8.5	317
Wychavon	46.1	29.0	18.6	5.6	0.8	492
Wyre Forest	42.0	28.5	24.0	4.0	1.5	259
Birmingham	26.6	26.4	28.1	11.4	7.4	3,031
Coventry	27.2	25.8	28.0	9.9	9.1	708
Dudley	36.1	29.8	23.9	7.0	3.3	609
Sandwell	28.5	25.6	29.2	9.6	7.1	515
Solihull	30.7	31.2	26.2	7.3	4.5	556
Walsall	28.9	30.3	28.0	10.2	2.6	481
Wolverhampton	31.3	30.3	23.5	9.4	5.5	507

It is not possible to produce definite figures on sector income because some registers do not record any detail and in those which do, data are incomplete. Nevertheless, using the available data and supplementing this with large scale survey data from Third Sector Trends helps to generate a good set of estimates on sector income at regional and national levels (see Table 2.4).

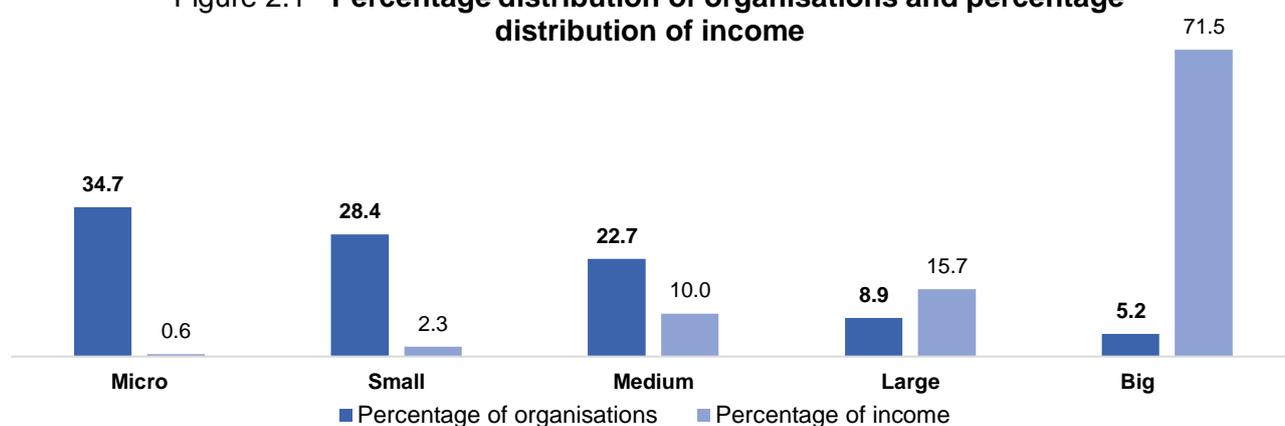
	<b>Micro</b> (£10,000 or less)	<b>Small</b> (£10,000 - £49,999)	<b>Medium</b> (£50,000 - £249,999)	<b>Large</b> (£249,999 - £999,999)	<b>Big</b> (£1million – £25million)	<b>Total estimated income per region</b>	<b>TSOs in each region</b>
North East	8.98	36.29	172.83	317.15	948.01	1,483.26	6,922
North West	27.29	106.29	500.28	817.01	2,723.82	4,174.69	20,095
Yorkshire & Humber	19.56	78.67	358.63	551.73	1,700.19	2,708.78	14,568
East Midlands of England	22.64	74.51	291.92	423.63	1,333.46	2,146.16	14,491
<b>West Midlands of England</b>	<b>23.49</b>	<b>89.87</b>	<b>373.31</b>	<b>606.73</b>	<b>2,266.40</b>	<b>3,359.81</b>	<b>16,751</b>
East of England	31.32	113.97	479.03	638.24	2,609.12	3,871.69	21,610
London	41.38	212.82	1,096.19	1,981.37	13,752.71	17,084.47	38,485
South East	41.46	205.20	838.21	1,186.96	5,521.53	7,793.35	33,353
South West	34.52	131.02	520.50	713.51	2,522.30	3,921.84	23,683
Wales	15.69	55.02	187.53	310.80	1,026.47	1,595.51	10,041
England and Wales	266.33	1,103.65	4,818.43	7,547.13	34,404.01	48,139.56	200,000

When organisational population is compared with income by TSO size categories, significant variations emerge. Micro TSOs, which constitute 35 per cent of the sector share less than 1 per cent of sector income. By contrast, the biggest organisations only comprise 5 per cent of sector population, but command 72 per cent of its income.

This tells a simple story. Larger organisations are heavily dependent upon ‘money’ to keep themselves going (so as to pay, for example, employed staff and managers to get things done) while the smallest organisations rely primarily upon the use of voluntarily given time to perform their roles.

This finding has a significant bearing on the interpretation of data in this and future reports because it is abundantly clear that in analytical terms, we are not comparing like-with-like. Consequently, sweeping generalisations about sector activities or expectations must always be treated with caution.

Figure 2.1 Percentage distribution of organisations and percentage distribution of income



The distribution of TSOs by size and area affluence is shown in Table 2.5. Variations in distribution reflect comparative levels of affluence and deprivation across regions.

In South East England, for example, only 6 per cent of TSOs are located in the least affluent quintile, while 37% are located in the most affluent. In North East England, by contrast, 26 per cent of TSOs are located in the least affluent quintile while only 16 per cent are situated in the most affluent.

In the West Midlands, distribution is more similar to the three northern regions than the East Midlands or the three southern regions (East of England, South East and South West).

Table 2.5 Regional and national distribution of charities by income of organisations (row percentages, 2022)

	Least affluent IMD 1-2	IMD 3-4	Intermediate IMD 5-6	IMD 7-8	Most affluent IMD 9-10	Number of TSOs
North East England	26.0	22.3	19.3	16.4	16.0	6,458
North West England	27.3	18.0	18.8	18.2	17.6	18,740
Yorkshire and Humber	22.4	16.5	20.2	21.8	19.0	13,581
East Midlands of England	15.5	18.0	18.6	24.7	23.1	13,515
<b>West Midlands of England</b>	<b>24.3</b>	<b>17.5</b>	<b>23.1</b>	<b>19.9</b>	<b>15.3</b>	<b>15,630</b>
East of England	7.4	15.5	25.0	26.1	26.0	20,160
London	19.2	31.4	23.6	17.5	8.4	35,901
South East England	5.8	11.0	18.0	27.8	37.3	31,107
South West England	10.0	18.8	29.1	24.8	17.3	22,081
Wales	12.9	17.5	23.7	25.1	20.8	9,295
England and Wales	15.7	19.2	22.2	22.5	20.4	186,468

Variations in the distribution of TSOs in ‘metropolitan’, ‘major urban’ and ‘town and country’ areas across nations and regions is revealing (see Table 2.6). In those regions where there is a higher concentration of TSOs in the least affluent areas (such as North East England or the West Midlands of England) many more TSOs are located in ‘metropolitan’ areas. Whereas in the most affluent regions (such as East of England or South East England), the majority of TSOs are located in ‘major urban’ or ‘town and country’ areas.

<b>Table 2.6 Regional and national distribution of TSOs across ‘metropolitan’, ‘major urban’ and ‘town and country areas’ (Third Sector Trends registers data, 2022)</b>				
	<b>Metropolitan</b>	<b>Major urban</b>	<b>Town and country</b>	<b>N=</b>
North East England	42.4	15.2	42.4	6,458
North West England	55.1	25.3	19.6	18,740
Yorkshire & Humber	61.9	7.7	30.3	13,581
East Midlands of England	0.0	43.3	56.7	13,515
<b>West Midlands of England</b>	<b>41.0</b>	<b>16.5</b>	<b>42.5</b>	<b>15,630</b>
East of England	2.4	40.9	56.7	20,160
London	96.2	3.8	0.0	35,901
South East England	2.9	44.3	52.7	31,107
South West England	8.3	23.8	67.9	22,081
Wales	0.0	44.6	55.4	9,350
England and Wales	35.1	25.7	39.1	186,523

## 3 Sector purpose

This section presents findings on beneficiaries served and perceptions of organisational impact achieved by Third Sector organisations. Recently, much work has been done by the Charity Commission to reconfigure its own definitions and categories of charitable activity. The work has involved consultation with stakeholders to produce a taxonomy that covers the whole range of sector activity. This will provide a tremendously useful resource when populated with data.

No matter how complete datasets are, analysis of the purpose and impact of the sector is difficult because TSOs rarely align themselves with one category of activity. This is because organisations, large or small, serve many purposes and several constituencies of beneficiaries. Rather than trying to iron out this problem, Third Sector Trends analysis accepts that boundaries between sector activities are not firm, but rather, they are 'fuzzy' and 'permeable'.

Third Sector Trends uses a short list of categories which cover the principal beneficiaries of sector activity. Table 3.1(a) and 3.1(b) show the percentage of TSOs which serve each beneficiary group by region. The analysis indicates that the situation in some regions is quite similar. The three northern regions, West Midlands and Wales, for example, all have densely populated industrial or former industrial areas which suffer significant social deprivation.

South East England, South West England and East of England (and to a lesser extent, the East Midlands) tend, by contrast, to have fewer major urban areas – and are also often characterised by their relative affluence. London does not fit comfortably into either category.

### Perceptions of impact achieved

Regional variations in perceptions of impact are shown in Table 3.2. Regions with major industrial heartlands (Northern regions, West Midlands and Wales) tend to have quite similar impact profiles. These areas tend to have higher levels of deprivation, so it is not surprising that there is a stronger emphasis on impact on 'tackling social isolation', 'giving people confidence to manage their lives', 'health and wellbeing', 'improving employability', and so on.

Those regions which are dominated by shire counties (such as South East England, South West England, East of England and to a lesser extent, the East Midlands) tend to be more affluent than industrialised regions. Consequently, perceptions of impact on critical or pernicious social needs tend to be lower.

### Spatial range at which TSOs work

Figure 3.1 shows the spatial range at which TSOs work by region. This is an important consideration when analysing sector dynamics as it emphasises the extent to which the immediate or proximate locality is the principal focus of the local sector.

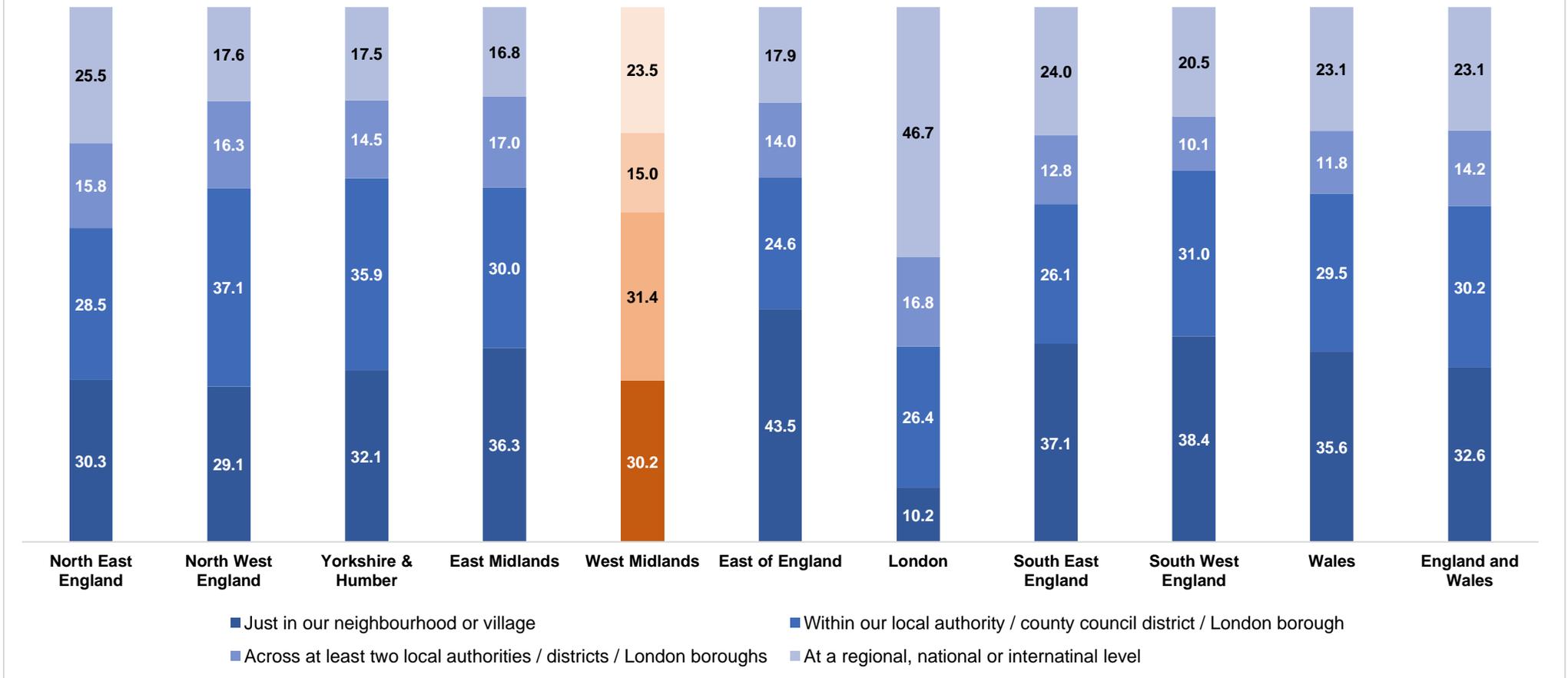
It is clear that the West Midlands and northern regions are quite similar – because they have larger metropolitan areas. This means that the local sector tends to work across a wider spatial range than is the case in the predominantly town and country areas of the East Midlands and southern regions (except London).

Table 3.1(a) Percentage of TSOs serving beneficiary groups in English regions / Wales (Third Sector Trends survey 2022, n=-6,070)								
	People in general	Children and young people	Older people	People with physical disabilities	People with physical health conditions	People with mental health conditions	People with learning disabilities	People of a particular ethnic or racial origin
North East England	53.7	45.4	37.7	23.2	23.3	31.6	22.2	9.0
North West England	52.9	41.6	35.7	24.5	25.5	31.5	22.0	10.3
Yorkshire & Humber	53.1	39.8	35.2	23.1	23.9	29.3	21.5	9.4
East Midlands	56.0	41.3	29.6	16.9	18.7	24.4	16.4	7.7
<b>West Midlands</b>	<b>53.4</b>	<b>40.9</b>	<b>30.1</b>	<b>23.4</b>	<b>22.8</b>	<b>26.1</b>	<b>17.9</b>	<b>9.8</b>
East of England	54.9	38.3	28.3	16.6	15.9	17.3	14.0	3.1
London	45.8	44.5	28.5	17.9	19.0	22.3	15.6	16.4
South East England	49.4	39.2	28.6	16.7	16.5	17.2	13.2	5.0
South West England	54.8	41.4	28.4	17.8	18.9	21.8	16.4	4.7
Wales	58.5	44.9	35.2	21.4	19.6	23.9	20.8	6.8
England and Wales	53.0	41.5	31.7	20.1	20.5	24.5	17.9	8.0

Table 3.1(b)								
	People with homelessness and housing issues	Carers	Unemployed/workless people	People with concerns about gender and sexuality	People in rural areas	People in disadvantaged urban areas	People or households living in poverty	N=
North East England	9.5	14.5	17.6	7.2	16.6	23.2	23.5	613
North West England	14.8	15.1	19.7	6.8	14.0	22.7	24.0	736
Yorkshire & Humber	9.9	12.3	16.5	5.6	15.6	22.1	20.1	648
East Midlands	12.9	7.0	15.7	4.2	18.9	15.7	17.9	402
<b>West Midlands</b>	<b>10.6</b>	<b>11.4</b>	<b>13.0</b>	<b>4.5</b>	<b>15.5</b>	<b>19.4</b>	<b>21.4</b>	<b>509</b>
East of England	7.2	8.7	6.6	1.6	19.1	8.4	12.9	572
London	12.8	7.1	14.7	4.7	3.5	20.1	20.3	537
South East England	10.0	7.0	8.1	2.6	11.0	9.3	14.0	816
South West England	9.2	8.5	8.7	4.1	22.2	10.6	16.8	785
Wales	9.3	10.8	12.2	3.6	21.2	14.2	18.5	443
England and Wales	10.6	10.3	13.1	4.5	15.6	16.4	18.9	6,061

Percentage of TSOs which 'strongly agree'	North East England	North West England	Yorkshire & Humber	East Midlands of England	West Midlands of England	East of England	London	South East England	South West England	Wales	England and Wales
We improve health and wellbeing	32.5	33.7	30.1	23.9	<b>28.7</b>	19.4	29.0	19.9	24.3	30.1	27.1
We reduce social isolation	32.1	32.1	30.0	25.1	<b>26.0</b>	17.3	24.4	19.5	20.5	29.2	25.5
We encourage physical activity and improve people's fitness	15.9	15.1	16.8	12.7	<b>12.0</b>	10.3	17.1	11.6	11.6	14.9	13.8
We increase employability	10.7	11.8	9.2	6.0	<b>8.5</b>	3.2	11.6	6.7	5.4	7.2	8.1
We tackle the consequences of poverty	14.4	14.2	10.8	10.9	<b>11.5</b>	7.0	16.1	9.3	10.2	11.9	11.6
We improve people's access to basic services	16.0	17.1	16.9	13.2	<b>15.3</b>	7.8	14.4	8.3	9.3	14.1	13.1
We enhance the cultural and artistic life of the community	17.9	16.3	15.8	15.6	<b>11.7</b>	14.6	20.2	19.3	16.0	20.4	16.8
We improve the local environment	8.9	12.8	10.6	7.5	<b>10.7</b>	6.8	9.2	9.2	9.8	14.1	10.0
We promote community cohesion	23.4	22.5	22.4	18.5	<b>19.8</b>	12.2	21.6	15.9	18.0	23.8	19.7
We empower people in the community	27.0	25.0	25.8	17.8	<b>22.5</b>	9.9	23.3	16.2	14.6	21.9	20.4
We increase people's pride in their community	19.3	19.3	19.5	14.0	<b>14.5</b>	12.0	18.3	12.0	12.5	17.8	15.9
We give people confidence to manage their lives	29.9	30.1	30.4	24.6	<b>27.9</b>	16.0	29.0	18.4	18.7	24.8	24.8

Figure 3.1 Spatial operation range of TSOs by English region and Wales (Third Sector Trends 2022, n=6,023)



## 4 Sector energy

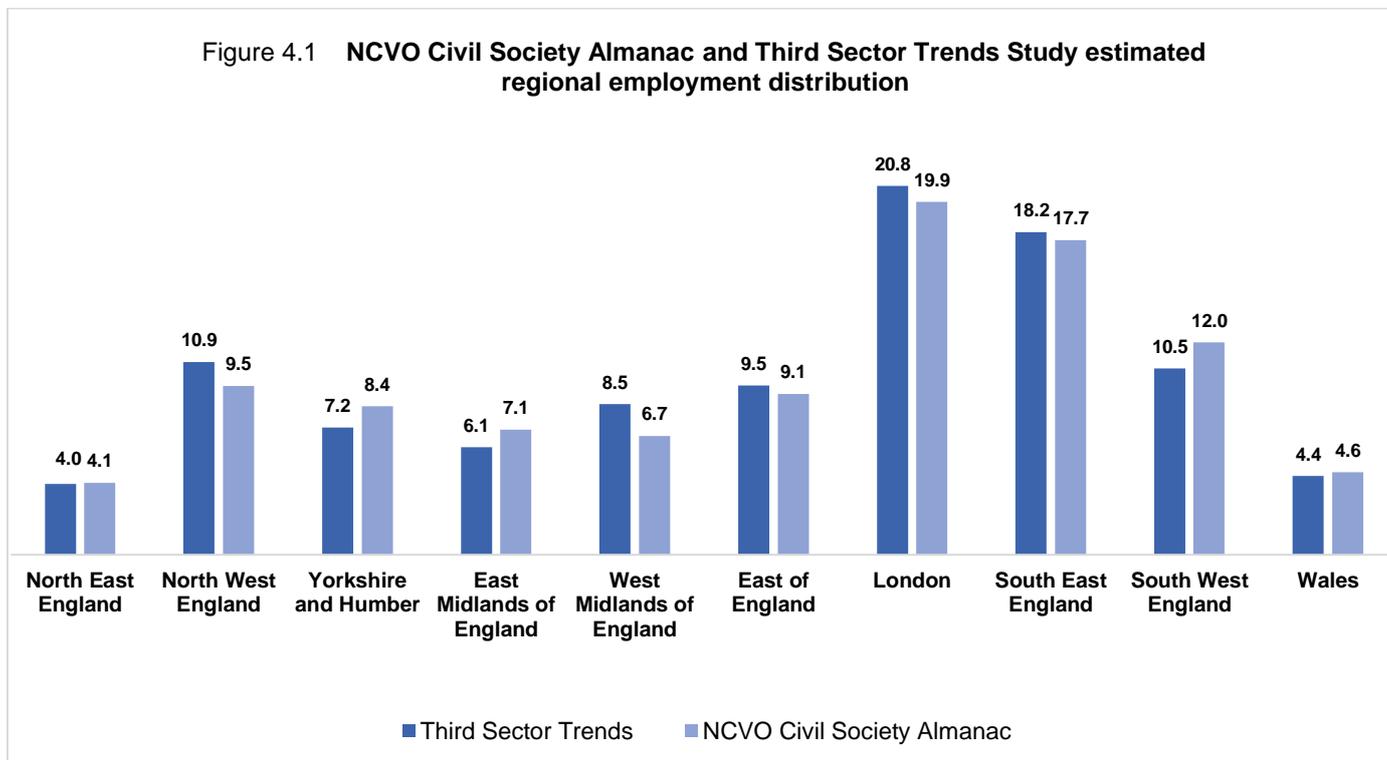
### Employee estimates

Estimating the number of employees in the Third Sector is a complex process. National statistics do not have a separate category for the Third Sector. Instead, Third Sector employees are scattered across several industrial sectors.<sup>7</sup> Estimates on Third Sector employment are reliant on survey estimates which collect data in bands on the number of employees in organisations of different sizes.

Third Sector Trends samples have been cross-checked against the National Survey of Third Sector Organisations of 2010 to ensure that the methodology of preparing estimates is broadly comparable. Table 4.1 presents headline data on employment estimates by English regions and Wales together with the percentage of Third Sector employers. Additionally, the percentage of Third Sector employment as a proportion of all employment is estimated.

NCVO has estimated that there are about 950,000 employees in the UK.<sup>8</sup> Third Sector Trends estimates tend to be higher than NCVOs statistics because the study takes a wider view on sector composition – even though some Major and all Super Major TSOs are excluded from the study.

It is estimated that the Third Sector in England and Wales employs about 1.1 million people. Around 40 per cent of organisations are employers – though many have just one or a few part-time staff. That constitutes around 3 per cent of national employment in most English regions and Wales.



It is harder to determine how many employees there are in London using the TSTS methodology because the sector is dominated by bigger organisations – nearly half of which (47%) work beyond the boundaries of Greater London. It is, therefore, highly unlikely that Third Sector employees constitute nearly 8 per cent of the workforce in

<sup>7</sup> The approach taken to making employment estimates is detailed more fully in the technical paper on analytical approaches in Third Sector Trends, *ibid*, Section 4.

<sup>8</sup> [Five insights about the state of the voluntary sector: Civil Society Almanac 2022 | NCVO](#)

the capital as many will be distributed more widely. A more probable estimate for London based employment is around 193,700.

NCVO and TSTS estimates are calculated differently, both approaches to making estimates have their merits but neither can claim to be perfect. Nevertheless, NCVO and TSTS estimates indicate that the broad spread of sector employees is similar (see Figure 4.5).

	Estimated number of TSOs	Estimated percentage of TSOs which are employers	Estimated Third Sector employees	Total regional employment estimates <sup>9</sup>	Percentage Third Sector regional employment
North East England	6,900	40.1	37,300	1,200,000	3.1
North West England	20,100	39.4	101,300	3,461,000	2.9
Yorkshire and Humber	14,600	38.7	66,900	2,603,000	2.6
East Midlands	14,500	38.2	56,600	2,357,000	2.4
<b>West Midlands</b>	<b>16,800</b>	<b>34.6</b>	<b>79,000</b>	<b>2,835,000</b>	<b>2.8</b>
East of England	21,600	36.5	88,800	3,131,000	2.8
<i>London<sup>10</sup></i>	<i>38,500</i>	<i>46.2</i>	<i>193,700 (365,000)</i>	<i>4,802,000</i>	<i>7.6</i>
South East England	33,400	40.3	169,500	4,585,000	3.7
South West England	23,700	37.3	97,700	2,787,000	3.5
Wales	10,000	33.2	41,300	1,463,000	2.8
England and Wales	200,000 <sup>11</sup>	39.6	1,103,800	29,224,000	3.8

To test the reliability of employee estimates, Table 4.2 presents indicative salary costs to employing organisations in the Third Sector. These costs are based on the assumption that average wages in the Third Sector stand at around 80 per cent of average regional wages partly due to the prevalence of part-time or fractional appointments, but also because salary levels tend to be lower than the public or private sector.

It is accepted that estimating wages at 80 per cent of average regional wages may be too low and that employer on-cost estimates at 25 per cent may be too modest. However, in the absence of firm data accumulated from individual employers from national statistical sources, it is not possible to test these assertions. As Table 4.2 indicates, the total cost of employee wages in employee organisations ranges from 69-75 per cent across English regions and Wales.

<sup>9</sup> ONS regional labour market statistics, released August 2022 [HI00 Regional labour market: Headline Labour Force Survey indicators for all regions - Office for National Statistics](#)

<sup>10</sup> In London, the statistical model may have skewed employment estimates to some extent due to the much larger proportion of bigger employees. The likelihood is that many larger London-based TSOs employ staff across English regions and Wales – but the extent of this distribution cannot be determined.

<sup>11</sup> Please note, rounding error produces a total of 200,100.

Table 4.2 Estimated wage costs and proportional costs of wages against sector income

	Estimated number of full-time equivalent employees	80 per cent of average regional wage excluding employer on-costs <sup>12</sup>	Total wage cost £millions	percent of income spent on employees assuming most income is located in employer organisations
North East England	37,300	22,012	1,027.47	69.3
North West England	101,300	23,623	2,992.54	71.7
Yorkshire and Humber	66,900	23,046	1,927.94	71.2
East Midlands	56,600	22,733	1,608.74	75.0
<b>West Midlands</b>	<b>79,000</b>	<b>24,000</b>	<b>2,368.91</b>	<b>70.5</b>
East of England	88,800	24,694	2,740.09	70.8
<i>London<sup>13</sup></i>	<i>365,400</i>	<i>31,773</i>	<i>14,497.16</i>	<i>84.9</i>
South East England	169,500	26,248	5,562.55	71.4
South West England	97,700	23,264	2,841.59	72.5
Wales	41,300	22,805	1,178.28	73.8
England and Wales	1,103,800	25,028	36,745.27	71.7

Constructing estimates on full-time and part-time employees has become more complex in recent years. This is due to the lack of data in Third Sector Trends or elsewhere on the number of hours part-timers work.

Furthermore, there is some emerging evidence from NCVO on fractional appointments which are close to full time employment. In Third Sector Trends qualitative work, for example, it is common to find that employees work on a 0.8 full-time equivalent contract (that is, four days a week). But the scale of that qualitative study is far too small to make credible claims.

Bald estimates from Third Sector Trends on the split between full-time and part-time employees by region is provided in Table 4.3, but with the above caveats in mind, they must be interpreted with some caution.

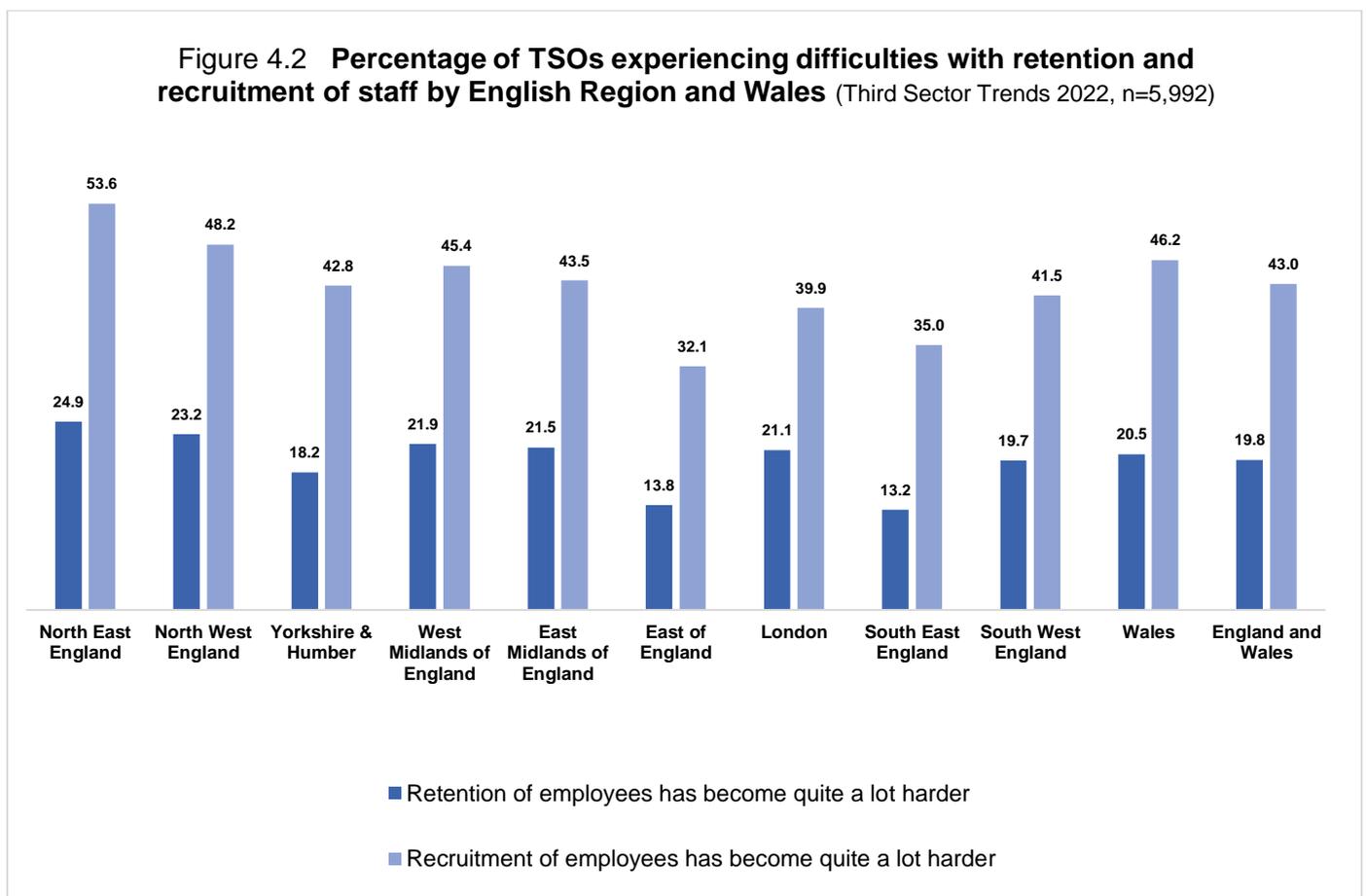
<sup>12</sup> Employer on-costs have been conservatively estimated at around 20 per cent (for national insurance and pensions because much of the workforce is part-time. Total wage costs include these on-costs, whereas the listing of 80 per cent average wages does not. For example, the actual employer cost for North East England would be closer to £27,500 per full-time equivalent employee (that is £22,012 plus 20% on-costs). It is not anticipated that full-time employers will receive only 80 per cent of average regional wages, but salary levels are likely to be somewhat lower. Recent estimates from Pro Bono Economics suggest that full-time Third Sector wages are about 7 per cent below average. <https://www.probonoeconomics.com/news/charity-sectors-ability-to-attract-talent-under-threat-from-pay-gap>

<sup>13</sup> The proportion of salary costs appears to be higher in London at 85 per cent. But as noted, we have concerns that London employee data estimates may be skewed due to the substantially different composition of the Third Sector in the capital. As noted above, actual employees in London is likely to be about half of the sum listed because employees will be distributed across the UK and internationally.

Table 4.3 Estimated percentage of part-time and full-time employees		
	Percent part-time employees	Percent full-time employees
North East England	57.3	42.7
North West England	57.4	42.6
Yorkshire and Humber	57.5	42.5
East Midlands	57.8	42.2
<b>West Midlands</b>	<b>57.6</b>	<b>42.4</b>
East of England	57.8	42.2
London	57.1	42.9
South East England	57.6	42.4
South West England	57.8	42.2
Wales	57.8	42.2
England and Wales	57.4	42.6

The Coronavirus pandemic, current levels of high inflation and the cost-of-living crisis has increased pressure on TSOs by producing a challenging recruitment and staff retention environment.

Difficulties encountered with retention and recruitment of employees in English regions and Wales are shown in Figure 4.2. Some regions are struggling more than others, but this is clearly a general problem for the sector.



## Regular volunteer estimates

National estimates for the number of volunteers in the UK are published annually in NCVO's Civil Society Almanac.<sup>14</sup> It is reported that 16.3 million people volunteered at least once in the previous year with a group, club or organisation in the UK (down from 19.4 million the previous year). About 9.2 million people volunteered at least once a month (down from 11.9 million in the previous year). These are impressive statistics that show that a culture of volunteering, in one capacity or another, is well established in the UK.

In studies of the Third Sector, it is necessary to be careful about extrapolating too much insight from headline volunteering statistics, and especially so when considering the support volunteers regularly offer to TSOs. The Third Sector Trends Study is interested in levels of 'regular volunteering' because they allow TSOs to be able to plan and practice their work with a clear idea in mind about the volunteering resources they can draw on (in addition to the work that might be done by paid employees when such staff exist).

Regular volunteers are defined in Third Sector Trends as people who provide on average 72 hours of support to a TSO in one year (or an average of six hours per month). Calculations exclude occasional or ephemeral (i.e. 'one-off') volunteering.<sup>15</sup>

As TSTS only has data from TSOs, several other kinds of volunteers cannot be included in the analysis:

- Volunteers giving time to public bodies such as local public libraries (unless they are community run entities) or the NHS (unless they are working directly for a TSO such as WRVS).
- Volunteering in schools as governors, as members of informal/unregistered parent teacher associations, supporting teachers in the classroom, school trips and sports days, or general school fundraising activities.
- Volunteering for other public bodies such as the police as special constables, the criminal justice system as magistrates, or as reservists in the armed forces and so on.
- Employee supported volunteers or the provision of pro-bono support by employees or professionals (unless it is facilitated via a TSO such as Pro-Bono Economics).
- Volunteers participating in national fundraising appeals (for example, BBC Children in Need, Comic Relief, Sport Relief, or for large national charities such as Save the Children and Oxfam<sup>16</sup> etc.)

It is not being insinuated that these forms of volunteering lack value or are of a lesser value than those working directly for local TSOs. It is simply a question of calculating the contributions regular volunteers make in the local Third Sector to society.

With these caveats in mind, it is possible to calculate the amount of energy which is produced through voluntarism<sup>17</sup> in TSOs of different sizes by estimating the number

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<sup>14</sup> NCVO: [Volunteering overview - Volunteering | UK Civil Society Almanac 2021 | NCVO](#). [Volunteering overview – Volunteering | UK Civil Society Almanac 2022 | NCVO](#).

<sup>15</sup> Ephemeral or occasional volunteering may include people who help with a fundraising appeal, people who are allocated to volunteer through, for example, employee supported volunteer initiatives or by university student volunteer programmes.

<sup>16</sup> Supporting large nationals as volunteers in local charity shops would be included providing that federated branches responded to the survey at a local level.

<sup>17</sup> In this analysis, average numbers of 'regular volunteers' have been estimated from response data in each of the 5 standardised TSO income categories used in this report: micro TSOs=15, small TSOs=16, medium TSOs=20, large TSOs=38, big TSOs=48. These multipliers have been substantially reduced from the 2019 calculations due to changes in the composition of the volunteering workforce which will be reported at a later date. Clearly the range of numbers vary considerably in individual organisations, but for a scaling-up exercise, averages must be adopted. Similarly, the hours worked by individual volunteers may vary widely, but in this study the average number of hours given by volunteers is estimated at 72 per annum or 6 per month. The emphasis is on regular

of hours regularly given by volunteers. When compared with previous estimates in the North of England in 2019 and 2016, the indications are that there has been a substantive fall in the number of regular volunteers in the Third Sector in the post-pandemic period – but not, perhaps, as much as expected (see Figure 4.5).

This may be due to difficulties in re-engaging volunteers who withdrew from providing time during the period of lockdowns. It may also be associated with the loss of new volunteers who contributed effort during the coronavirus crisis but have since returned to their normal routines (see Figure 4.4). Such factors will be explored in depth in the second report from Third Sector Trends 2022.

Proxy financial ‘replacement values’ of the work of volunteers have been calculated using two measures: the National Minimum Wage (at £9,50 per hour) and 80% average regional hourly wage (at plain rate, i.e. not including employer on costs) as financial benchmarks. Estimates were scaled up to regional level using Charity Commission Register charity population data.

	<b>Number of regular volunteers</b>	<b>Estimated total hours worked (millions)</b>	<b>Value at National Living Wage (£millions)</b>	<b>Number of full-time equivalent regular volunteers</b>	<b>80% average regional wage</b>	<b>Value produced at 80% average regional (£millions)</b>
North East England	152,000	11.0	104.0	6,600	22,012	146
North West England	432,600	31.1	295.9	18,900	23,623	446
Yorkshire & Humber	308,700	22.2	211.1	13,500	23,046	310
East Midlands	294,900	21.2	201.7	12,900	22,733	293
<b>West Midlands</b>	<b>330,300</b>	<b>23.8</b>	<b>225.9</b>	<b>14,400</b>	<b>24,000</b>	<b>346</b>
East of England	443,600	31.9	303.4	19,400	24,694	478
<i>London<sup>18</sup></i>	<i>966,600</i>	<i>69.6</i>	<i>661.1</i>	<i>42,200</i>	<i>31,773</i>	<i>1,340</i>
South East England	713,400	51.4	487.9	31,100	26,248	817
South West England	487,000	35.1	333.1	21,200	23,264	494
Wales	206,000	14.8	140.9	9,000	22,805	205
England and Wales	4,335,000	312.1	2,965.0	189,170	25,028	4,875

Table 4.5 provides estimates on the number of employees and regular volunteers at local authority level in the West Midlands. These data are less accurate than at regional level as the use of standardised multipliers can distort the local situation. However they provide a rough comparative benchmark of sector energy.

volunteers. In micro and smaller TSOs only, this includes the contribution of trustees and committee members who tend to get more directly involved in day-to-day activities or, in very small TSO, the group may be entirely reliant upon them to do so. Hours worked are scaled up to FTE employees on the following basis: 7.5-hour days at 220 working days per year.

<sup>18</sup> Estimates of the number of volunteers may be over or underestimated in London because many larger organisations, such as charitable foundations, tend not to have volunteers. Large international organisations by contrast may have very large numbers of volunteers but they may not provide support in England and Wales. As a study of the local Third Sector, these estimates feel ‘about right’ when compared with other.

**Table 4.5 Estimated employee and volunteer energy in West Midlands local authority areas<sup>19</sup>**

	Estimated number of employees	Estimated days worked by employees	Estimated number of regular volunteers	Estimated days worked by volunteers	Total energy of the sector (days worked)	Percentage of work provided by regular volunteers
Herefordshire, County of	3,774	830,280	20,357	195,427	102,5707	19.1
Telford and Wrekin	1,540	338,800	7,493	71,933	410,733	17.5
Stoke-on-Trent	3,196	703,120	10,551	101,290	804,410	12.6
Shropshire	4,649	1,022,780	28,042	269,203	1291,983	20.8
Cannock Chase	385	84,700	2,730	26,208	110,908	23.6
East Staffordshire	1,105	243,100	6,685	64,176	307,276	20.9
Lichfield	1,433	315,260	7,065	67,824	383,084	17.7
Newcastle-under-Lyme	844	185,680	5,053	48,509	234,189	20.7
South Staffordshire	574	126,280	4,776	45,850	172,130	26.6
Stafford	1,782	392,040	9,235	88,656	480,696	18.4
Staffordshire Moorlands	394	86,680	5,001	48,010	134,690	35.6
Tamworth	485	106,700	2,353	22,589	129,289	17.5
North Warwickshire	737	162,140	3,326	31,930	194,070	16.5
Nuneaton and Bedworth	787	173,140	4,033	38,717	211,857	18.3
Rugby	1,980	435,600	6,791	65,194	500,794	13.0
Stratford-on-Avon	2,358	518,760	11,942	114,643	633,403	18.1
Warwick	3,150	693,000	12,937	124,195	817,195	15.2
Bromsgrove	1,366	300,520	5,625	54,000	354,520	15.2
Malvern Hills	1,652	363,440	8,195	78,672	442,112	17.8
Redditch	447	98,340	2,778	26,669	125,009	21.3
Worcester	2,758	606,760	7,665	73,584	680,344	10.8
Wychavon	1,038	228,360	9,365	89,904	318,264	28.2
Wyre Forest	673	148,060	4,969	47,702	195,762	24.4
Birmingham	23,632	5,199,040	71,042	682,003	5,881,043	11.6
Coventry	6,152	1,353,440	16,702	160,339	1,513,779	10.6
Dudley	2,524	555,280	12,513	120,125	675,405	17.8
Sandwell	3,697	813,340	11,732	112,627	925,967	12.2
Solihull	2,939	646,580	11,841	113,674	760,254	15.0
Walsall	2,149	472,780	10,315	99,024	571,804	17.3
Wolverhampton	3,023	665,060	11,127	106,819	771,879	13.8

<sup>19</sup> Rounding errors result in variations from region wide data.

## 5 Sector impact

Third Sector Trends' approach to impact analysis has been designed to examine ways of assessing the contribution of the Third Sector as a complete entity to the social and economic wellbeing of localities. This section outlines a methodology to help Third Sector stakeholders to make informed judgements about sector value.<sup>20</sup>

### **Key definitions**

The term 'value' can and is used in many contexts in debates about the activities of the Third Sector. This can confuse arguments about what, precisely, the Third Sector contributes in social, economic and environmental terms. Clarifications on the definition and use of terminology are presented below which are used consistently for the remainder of this report.

- **Third Sector practices:** the way TSOs and groups operate is shaped by distinctive sets of *beliefs* and *principles* which inform the ambitions of individual organisational or group activities, together with approaches to work that produce beneficial impact by drawing upon *experience*, *skills* and *ideas* of trustees, employees and volunteers on how to do things.
- **Energy** refers to the resource that the Third Sector has available (or can garner) to achieve objectives. Resources include:
  - work time produced by the sector's **people** (trustees, employees, volunteers and advocates).
  - productive use of **property** assets (such as a buildings and specialist equipment) to deliver services or to rent to generate income; and,
  - **money** (to pay employee salaries, recruit, train and supervise volunteers, pay rent and utility bills, buy consumables for service delivery, etc.).
- **Impact:** is what the sector achieves for:
  - **People:** through the delivery of services to local people to improve health, wellbeing, economic activity and financial security.
  - **Places:** making a positive contribution to community wellbeing by tackling issues such as isolation, social cohesion and economic vitality.
  - **Economy:** how sector trading activity and local expenditure helps to sustain or vitalise local economic conditions and strengthen community wealth and wellbeing.
  - **Environment:** encouraging environmentally beneficial behaviours in the local population and taking direct measures to reduce energy use, recycling, etc.
- **Value:** is used to refer to the way sector impact is assessed. There are several types of value, including: *economic*, *fiscal*, *use*, *social*, *cultural* and *existence* values. These can be assessed using measurement such as financial or proxy financial values, or by using informed judgement.

<sup>20</sup> There is a much more detailed description of the approach taken to defining and assessing impact in the first Third Sector Trends 2022 national report on structure, purpose, energy and impact. The report is available here: <https://www.communityfoundation.org.uk/third-sector-trends/>

## How can sector value be assessed?

This sub-section provides an annotated explanation of how value can be assessed in four stages.

- The first step is to produce financial and proxy-financial estimates of the **energy** which the Third Sector has at its disposal to produce social and economic value.
- The second step is to define '**types of value**'. Six types of value are defined, three of which can be 'monetised', and three of which cannot.
- The third step is to present estimates for the **financial value of sector impact** for the local economy.
- Some types of value cannot be measured, but this does not mean that such forms of value do not exist. The final step therefore involves discussion of how to make **informed judgements about how to value the social contribution the sector**.

The first step in the process of estimating the added value the Third Sector contributes involves the identification of the amount of 'energy' which the sector has at its disposal to achieve its objectives. Rather than over-labouring the process of defining sector energy, a relatively simple approach is taken to include the financial or proxy financial value of sector energy under four headings:

- **The value of financial expenditure:** it is possible to make good estimates of sector expenditure. This sum captures the economic value of employee wages, spending on rent and consumables and the disbursement of grants to individuals or other TSOs together with contributions to local and national taxation.
- **The proxy-replacement value of volunteer time available:** in Section 4, robust calculations on the number of regular volunteers and the work time they invest were presented. Replacement values were attributed to this energy at National Living Wage and at 80% of average regional wages. A mid-point estimate is used to define the value of volunteering.
- **The proxy value of additional in-kind support:** in-kind support from the private sector and public sector is estimated. This support includes the free or low-cost use of facilities and services, pro bono advice and technical expertise, employee volunteer support and the provision of free goods such as surplus consumables.<sup>21</sup>
- **The proxy value of self-generated income:** this estimate is based on the regional share of the national value of income gained from retailing of pre-used goods. This represents the production of financial value from redundant articles and is not covered in the expenditure category (which would include income from other types of Third Sector trading).<sup>22</sup>

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<sup>21</sup> A report on the substantive contribution of business to the Third Sector has been produced as part of the Law Family Commission on Civil Society. See Chapman, T. (2021) *Going the extra mile: how business works with the local Third Sector*, London: Pro Bono Economics. Currently there are no equivalent studies of local public sector investment in the Third Sector using in-kind resources. However, it is likely that the non-financial contributions of public bodies such as NHS trusts, health authorities, police, fire and rescue and other agencies is likely to be at least equal to private sector investment. In-kind support would include the contribution of officers with responsibility for Third Sector liaison, research and intelligence and advice and guidance – but exclude contracts to the Third Sector to provide infrastructure support as this will be counted under Third Sector expenditure. Other forms of in-kind support would include free access to venues and equipment for Third Sector usage and beneficial arrangements such as peppercorn rents.

<sup>22</sup> The evidence from the Charity Retail Association suggests that charity shop retail produces about £331m in profits in 2018/19. On this basis, estimates were generated for Yorkshire and the three study areas. For further discussion of the value produced through charity shop recycling and retail see also, Osterley, R. and Williams, D. (2019) 'The social, environmental and economic benefits of reuse by charity shops', *Detritus* 7(1) 29-35. <https://digital.detritusjournal.com/articles/the-social-environmental-and->

As shown in Table 5.1, these financial values when combined reach substantial sums. But these statistics do not fully reflect the whole value of the economic and social impact the Third Sector produces. Instead, they simply signal the resource 'energy' that the sector has at its disposal. What is needed, therefore, is a way of explaining how this energy is *converted* into social and economic impact – that is, how to calculate or judge the 'added social and economic value' that the sector produces.

	Estimated Third Sector expenditure	Proxy-replacement value of volunteer time in each area (mid-point estimate)	Proxy value of additional in-kind support in each area	Proxy value of additional sources of self-generated income in each area	Total financial value of sector energy expended by the Third Sector in each area
North East England	1,419	146	75	11	1,652
North West England	3,995	446	218	33	4,692
Yorkshire & Humber	2,592	310	150	24	3,076
East Midlands of England	2,054	293	130	24	2,501
<b>West Midlands of England</b>	<b>3,215</b>	<b>346</b>	<b>177</b>	<b>28</b>	<b>3,766</b>
East of England	3,705	478	212	36	4,431
<i>London</i>	<i>16,350</i>	<i>1,340</i>	<i>800</i>	<i>64</i>	<i>18,553</i>
South East England	7,458	817	410	55	8,740
South West England	3,753	494	225	39	4,512
Wales	1,527	205	120	17	1,868
England and Wales	46,068	4,875	2,517	331	53,791

The second step in the process is to define types of added value that the Third Sector contributes to local economy and society. No claim is made that these distinctions are entirely original – instead, the approach draws upon the large policy and academic literature on the appraisal or measurement of impact which implicitly or explicitly embrace one or more of these notions of impact value.<sup>23</sup>

- **Economic value:** is defined as the economic contribution that the local Third Sector makes to the area through 'multiplier effects' driven by: organisational expenditure on local businesses; the spending of employees in the local economy and productivity from self-generated trading activities.
- **Fiscal value:** is defined as the savings gained by local public sector agencies and government departments because of Third Sector activity (either by

[economic-benefits-of-reuse-by-charity-shops/244](#). For further analysis on the value of charity shop retail, see Harrison-Evans, P. (2016) *Shopping for good: the social benefits of charity retail*, London: Demos <https://www.demos.co.uk/wp-content/uploads/2017/09/Shopping-for-Good-the-social-benefits-of-charity-retail-.pdf>. While charity retail declined during the pandemic due to lockdowns and closures, there are indications that business has bounced back in 2022: [Charity shops reveal surge in interest with sales 22% higher than pre-pandemic due to cost of living crisis \(inews.co.uk\)](#).

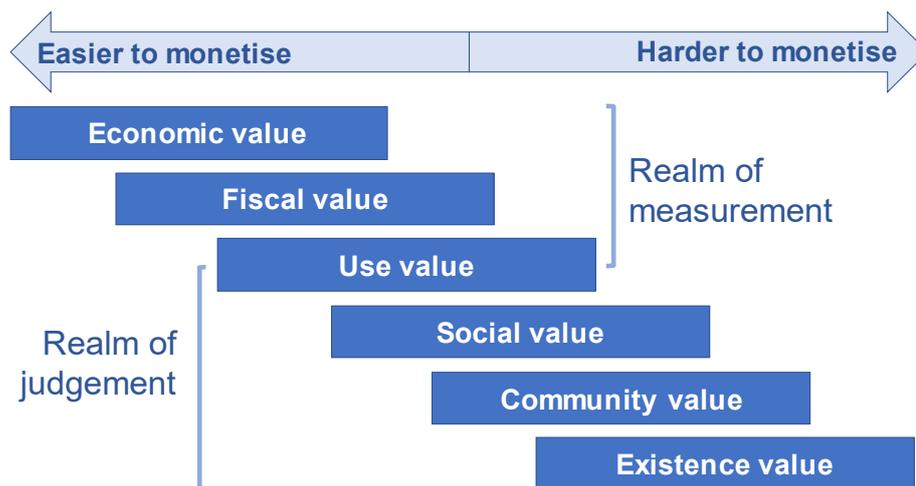
<sup>23</sup> There is a large academic and policy literature on the definition and measurement of value. A useful recent contribution has been offered by Mulgan, G., Breckon, J., Tarrega, M., Bakhshi, H., Davies, J., Khan, H. and Finnis, A. (2019) *Public value: how can it be measured, managed and grown?* London: Nesta. There are many methodologies on offer to measure value, such as descriptive models of causation adopted in 'theories of change' which may result in impact; complex manipulation of evidence and predictive modelling in social return on investment strategies, and so on. Whichever approach is adopted, results can be contested depending on the value position of the observer. For further discussion, see Third Sector Trends discussion paper: *Measuring Impact: easy to say, hard to do*. Newcastle: Community Foundation serving Tyne & Wear and Northumberland. <https://www.communityfoundation.org.uk/wordpress/wp-content/uploads/2017/09/Measuring-Impact-easy-to-say-hard-to-do.pdf>

delivering services under contract more efficiently or cheaply, or by reducing service need via Third Sector generated activity).

- **Use value:** is defined as the direct and immediate personal or social benefits gained by Third Sector service users which in turn incentivises, empowers and facilitates greater socially, economically or environmentally beneficial activity by the resident population in employment, self-employment, running private businesses/social enterprises and volunteering.
- **Social value:** the alleviation of the impact of specific social problems and investment in personal and community wellbeing to generate or embrace new opportunities to strengthen economy and society locally.
- **Community value:** strengthening the quality of life, enriching culture, and encouraging cohesion, tolerance, trust and belief in civil society through the collective contribution of the Third Sector working in neighbourly, complementary or cooperative ways.
- **Existence value:** when the Third Sector invests in social and community wellbeing which is valued by the general population though not necessarily used personally. Existence value also includes extant Third Sector capacity and latent potential to produce energy and momentum to tackle unforeseen local challenges or crises.

As Figure 5.2 illustrates, some of these types of value are easier to measure and ‘monetise’ than others. Economic, fiscal and use values are more amenable to monetisation. Social, cultural and existence values cannot easily be monetised or measured – but this does not mean that good judgements cannot be made about their value.

Figure 5.2 Realms of measurement and informed judgement



The third step in the analysis is to make estimates of the financial added value of sector activity to the local economy. Before these calculations are presented, brief explanations are given on the approach taken to estimate ranges of multiplier values based on the available evidence and wider research and evaluation literature. Strong emphasis is placed on producing ‘plausible’, ‘intelligible’ and ‘usable’ multipliers.

- **Economic value:** not all Third Sector expenditure will remain in the local economy, for example, a proportion of organisational spending and employee wages will be assigned to mortgage payments or purchases of services and products from outside of the area.

Some multiplier effect calculations use several rounds of impact assessment, where it is assumed that when money is spent in one company, that company will in turn spend this money again, and so on. That is avoided in this study because it cannot be known what proportion of that money is retained by Third Sector organisations (and it is not appropriate for the sector to take credit for multiplier effects produced by other sectors).<sup>24</sup>

On balance, it is estimated that about 55%-75% of sector expenditure will be retained and recirculated in the area.

- **Fiscal value:** it is not possible to gain a clear picture on the fiscal value of the contribution of the Third Sector at present as there are no generalised datasets available from public sector bodies on cost savings at national or local level. There have, however, been some useful studies on fiscal benefits in, for example, reduction in usage of police, health and social services, social services resource because of the activities of local TSOs.

Defining, in precise terms, the origin of such benefit is difficult, as shown in Section 3, because the value of sector activity accumulates from the actions of many types of TSOs which are involved in a wide array of activities that directly or indirectly benefit public sector bodies. For example, in the field of health care, contributions have been identified from TSOs which engage in sporting, recreational, artistic and cultural activities.

On balance, it is estimated that at least an additional 45-65% of the value of Third Sector energy can be set against direct fiscal savings to the state through the processes of prevention, replacement, additionality or deflection from public service use.

- **Use value:** multiplier effects of use values cannot easily be calculated on a case-by-case basis, let alone at sector level. But this does not mean that such value does not exist. For example, the recipients of TSOs' support to tackle financial insecurity can bring immediate benefit (such as access to loans from credit unions, groceries from food banks; mentoring, employability support and borrowing clothes to attend job interviews; support to recover from illness or personal setbacks which facilitate a return to employment, and so on).

While the immediate use value of Third Sector services can be considerable, it would be unrealistic to argue that the full cost of producing use values can be translated into economic multipliers. It is known, for example, that employability support programmes have mixed levels of success for a multitude of reasons. Similarly, support to tackle issues such as drug or alcohol use *can* help produce attitudinal and behavioural change - but not always – and especially so when beneficiaries face a range of other insidious or unpredictable pressures.

On balance, it is estimated that use values translate into an additional 25-45% of sector energy value into economic value.

Each of the above multipliers deal with direct and immediate sources of economic benefit. But the impact of the work of TSOs is not always direct or immediate – so other aspects of social value production must also be considered which affect medium or long-term aspects of wellbeing.

The multiplier estimates are 'conservative' compared with some other assessments about the multiplier effects of discrete aspects of sector activity. This is because specific assessments of Third Sector practices attribute success within defined

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<sup>24</sup> There is little evidence of extensive inter-trading within the Third Sector (excluding grant making transfers) which is likely to lower accumulated levels of economic impact from within the sector – see Chapman, T. and Gray, T. (2019) *Striking a balance: a study of how community businesses in Bradford, Hartlepool and Middlesbrough build working relationships with the public, private and Third Sector*, London: Power to Change, <https://www.powertochange.org.uk/wp-content/uploads/2019/09/Open-call-report-Striking-a-Balance-DIGITAL-V6.pdf>

practice boundaries – but without necessarily considering how other interventions may have contributed to overall impact.<sup>25</sup>

It is accepted that the estimates may be ‘too low’ or ‘too high’. And similarly, the possibility is not dismissed that there could be considerable levels of variation when looking at different aspects of sub-sector activity.<sup>26</sup> It would be expected that the estimates, as given, may be subject to challenge as the quality of evidence on sector impact improves – but this should be welcomed if it helps to produce informed debate about Third Sector economic impact.

The resulting economic values, once multipliers have been applied to sector energy estimates are presented in Table 5.2.

Table 5.2 Estimates of tangible added value produced by the Third Sector (£millions)					
	Total financial value of sector energy expended by the Third Sector in each area	Economic multiplier value (mid-point estimate 65%)	Fiscal multiplier value (mid-point estimate 55%)	Use value multiplier (mid-point estimate 35%)	Total contribution of multiplier contribution excluding direct financial value
North East England	1,652	1,074	909	578	2,560
North West England	4,692	3,050	2,581	1,642	7,273
Yorkshire & Humber	3,076	1,999	1,692	1,077	4,768
East Midlands of England	2,501	1,625	1,375	875	3,876
<b>West Midlands of England</b>	<b>3,766</b>	<b>2,448</b>	<b>2,071</b>	<b>1,318</b>	<b>5,837</b>
East of England	4,431	2,880	2,437	1,551	6,868
London	18,553	12,059	10,204	6,494	28,757
South East England	8,740	5,681	4,807	3,059	13,548
South West England	4,512	2,933	2,481	1,579	6,993
Wales	1,868	1,214	1,028	654	2,896
England and Wales	53,791	34,963	29,585	18,827	83,376

The fourth step in this analysis involves making observations on how to value those aspects of Third Sector activities that cannot easily be defined, let alone measured. It may not be possible accurately and consistently to measure value which is created through the individual and accumulated action of the Third Sector, but it does not mean that such value does not exist.

<sup>25</sup> For a brief overview of the limitations of approaches to economic impact analysis, see Westall, A. (2009) *Economic analysis and the Third Sector: overview of economic analysis in relation to the Third Sector*, Birmingham: Third Sector Research Centre Working Paper No. 14. [http://epapers.bham.ac.uk/801/1/WP14\\_Economic\\_analysis\\_and\\_the\\_third\\_sector\\_-\\_Westall\\_Dec\\_09.pdf](http://epapers.bham.ac.uk/801/1/WP14_Economic_analysis_and_the_third_sector_-_Westall_Dec_09.pdf). See also, Harlock, J. (2013) *Impact measurement practice in the UK Third Sector: a review of emerging evidence*, Birmingham: Third Sector Research Centre Working Paper No. 14, [http://epapers.bham.ac.uk/1800/1/WP106\\_Impact\\_measurement\\_practice\\_in\\_the\\_UK\\_third\\_sector\\_-\\_Harlock%2C\\_July\\_2013.pdf](http://epapers.bham.ac.uk/1800/1/WP106_Impact_measurement_practice_in_the_UK_third_sector_-_Harlock%2C_July_2013.pdf)

<sup>26</sup> There is a growing body of research literature on the social value produced by sub sectors. See for example Sport England’s measuring impact guidance <https://www.sportengland.org/how-we-can-help/measuring-impact>. A review has also been produced for arts and culture activities, see: See also, Reeves, M. (2003) *Measuring the economic and social impact of the arts: a review*, London: Social Value UK, <https://socialvalueuk.org/report/measuring-economic-social-impact-arts-review/>. For a more critical analysis of arts measurement, see Holdon, J. (2004) *The value of culture cannot be expressed only with statistics, audience numbers give us poor picture of how culture enriches us*, London: Demos: <https://www.demos.co.uk/files/CapturingCulturalValue.pdf>. Similar research has also been undertaken widely in the health and social care field, for an introduction to the field, see: [https://www.health.org.uk/topics/community-and-voluntary?gclid=Cj0KCQjw6NmHBhD2ARIsAl3hrM1eO53eusFbSpDO2pvaHqxGNvJRkr31zlf2ucWS48sGtAQIvQ\\_tNoaApJQEALw\\_wcB](https://www.health.org.uk/topics/community-and-voluntary?gclid=Cj0KCQjw6NmHBhD2ARIsAl3hrM1eO53eusFbSpDO2pvaHqxGNvJRkr31zlf2ucWS48sGtAQIvQ_tNoaApJQEALw_wcB)

As shown in Section 3 of this report, TSOs believe that they make a strong contribution to one or many aspects of social life. Similarly, it has been shown in previous Third Sector Trends reports that people in public sector and private sector organisations also value the activity of the Third Sector – these findings will be brought up to date using 2022 survey evidence in the coming months.

Finding a way of *accounting* for the social value that the Third Sector produces may not be easy to do, but there are some basic principles arising from the findings presented in this report which can help make informed judgements on sector strengths.

- **Value produced by TSOs is shared:** only rarely, if ever, could an organisation claim to produce *all* the value that is required by its beneficiaries. Other organisations or groups also play a part as do people in private life (family, friends and neighbours), the private sector (local businesses) and public sector (health, education, police, fire and rescue and the local authority, etc.). While this might constitute some duplication or overlap at times, this is not necessarily a problem as social and personal needs require support of a multifaceted and continuous kind.
- **Value produced by the Third Sector is cumulative:** because the responsibility for the production is shared, it is likely to accumulate. But it does so in unpredictable ways, depending on the circumstances facing beneficiaries. For example, support from one TSO may not produce benefit immediately, but can be realised later – in tandem with other forms of support or encouragement. Not all sector value production can be said to accumulate because TSOs sometimes inadvertently or purposefully engage in activities that undermine the value produced by others.
- **Value is not a constant:** it should be expected that the value the sector produces cannot always be ‘targeted’ or ‘fully utilised’, just as is the case with education or health systems. People make their own choices on what they want to take or leave from the advice or support they may receive. Or other factors beyond their control may increase or limit the extent to which value can be utilised. This makes it hard to determine the value of service or support given - relative to the energy invested.
- **Value does not last forever:** much of the value of the work undertaken by TSOs will disperse and dissipate over time. These processes occur as other interventions are established to tackle issues in new ways which often come about in response to social change and shifting social priorities. The work of the Third Sector is rarely finished – so activity must continually be renewed.

If the technical task of valuing the work of Third Sector is too daunting (because there are too many factors to take account of and too many unknowns), it is better to make simple and easily evidenced judgements that ring true.

Third Sector Trends adopts a very simple approach to the assessment of intangible value. Instead of looking for ‘data’ to collate, categorise and count and then shoehorn into statistical models - it is accepted that the process of making good judgements about the value of sector activity is already happening. There are two simple ways of recognising this.

Firstly, by taking into account the fact that a majority of TSOs are awarded grants and gifts from time to time, by trusts and foundations, local public bodies which operate small community grants, local parish councils, faith organisations, businesses or philanthropists and so forth. This shows that through the use of trust and judgement, much of the work of the sector has already been assessed and invested in by people holding positions of responsibility.

Secondly, and as importantly, the low levels of closures among TSOs indicates that continuity and sustainability is the norm, not the exception. What this shows is that TSOs are relevant, purposeful and produce social and community activity that

people contribute towards and use. It is a simple point to make: if the community did not value the work of the Third Sector – it would not exist.

The simple principle is therefore adopted that the intangible social, community and existence value that the Third Sector accumulates is at least of equal value to the energy the sector invests. Perhaps that is far as financial evaluation exercises on intangible impact need to go – the results of which are presented in Table 5.3.

Table 5.3 Estimates of total value produced by the Third Sector in Wales and English regions					
	Actual financial value of the Third Sector (£millions)	Added economic, fiscal and use value (£millions)	Added intangible social, community and existence value (£millions)	Total value (£millions)	Value per 1,000 regional population (£millions)
North East England	1,652	2,560	1,652	5,864	2.26
North West England	4,692	7,273	4,692	16,657	2.25
Yorkshire & Humber	3,076	4,768	3,076	10,920	1.99
East Midlands of England	2,501	3,876	2,501	8,877	1.81
<b>West Midlands of England</b>	<b>3,766</b>	<b>5,837</b>	<b>3,766</b>	<b>13,369</b>	<b>2.23</b>
East of England	4,431	6,868	4,431	15,729	2.50
<i>London<sup>27</sup></i>	<i>18,553</i>	<i>28,757</i>	<i>18,553</i>	<i>65,863</i>	<i>7.48</i>
South East England	8,740	13,548	8,740	31,029	3.34
South West England	4,512	6,993	4,512	16,017	2.81
Wales	1,868	2,896	1,868	6,632	2.14
England and Wales	53,791	83,376	53,791	190,957	3.20

<sup>27</sup> The situation in London clearly requires further analysis in the coming months to assess the extent to which value is distributed across English regions and Wales. In 2022, only 13 per cent of organisations based in Wales and English regions worked across regions, at national or international level, compared with 38 per cent of TSOs based in London. In London, only 36 per cent of organisations limited their work to their local borough, compared with 65 per cent of organisations in Wales and English Regions (n=6,023).

# Appendix

## Sources of additional evidence from the West Midlands of England

### National Third Sector Trends in England and Wales reports

Four reports have been published which break down analysis using regional data. Each report is divided into sections to analyse specific aspects of sector structure and dynamics comparatively.

- **Sector structure, purpose, energy and impact** (November 2022)
  - Sector structure
  - Sector purpose
  - Sector energy
  - Sector impact
- **Employees, volunteers, diversity and investment in people** (December 2022)
  - The Third Sector employed labour force
  - Regular volunteers
  - Diversity in sector leadership
  - Investing in people
- **Finances, assets and organisational wellbeing** (January 2023)
  - Income sources
  - Grants, contracts and trading
  - Property assets and financial reserves
  - Organisational wellbeing
- **Relationships, influencing and collaboration** (February 2023)

This report includes analysis on:

  - Relationships within the Third Sector
  - Relationships with the private sector
  - Relationships with the public sector
  - Influencing local social and public policy
- **People, places and policy** (May 2023)

A short final report was published to explore key findings from the overall study and their relevance to policy agendas in local areas.

## Area reports on sector structure and dynamics

Three parallel studies have been commissioned to explore the characteristics of specific types of localities. Reports will be published in June/July 2023 and will be available on the Policy&Practice website which can be accessed [here](#):

- **Combined Authorities** (centred on Yorkshire and Humber).
- **Town and Country areas** (centred on Cumbria).
- **The Home Counties** (centred on Buckinghamshire, Oxfordshire and Berkshire West).

These reports all include analysis of “statistical neighbours” – some of which are in the West Midlands area, thereby producing additional lines of comparative local analysis which may be of interest.

In these studies, there was a strong emphasis on local community health and wellbeing which is connected to the objectives of NHS Integrated Care Boards.

### **Home counties statistical neighbours**

Statistical neighbour areas include the following NHS Integrated Care Boards: **Buckinghamshire, Oxfordshire and West Berkshire, Hampshire and Isle of Wight, Kent and Medway Integrated, Sussex, Surrey Heartlands, Mid and South Essex** and **Hertfordshire and West Essex**.

### **London statistical neighbours**

Comparative analysis is published in the home counties report. The report’s analysis is usually limited to aggregated London data, but in a limited number of cases, data are presented for London ICS areas, which are as follows: **NHS North East London Integrated Care Board, NHS North Central London Integrated Care Board, NHS North West London Integrated Care Board, NHS South East London Integrated Care Board** and **NHS South West London Integrated Care Board**.

### **Combined authority statistical neighbours**

To explore the situation in major urban and metropolitan areas, this report produces comparative analysis on Combined Authority areas including: **Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, Northumbria, Tees Valley, South Yorkshire, West Midlands, West of England** and **West Yorkshire**.

### **Town and country statistical neighbours**

The purpose of this report is to look at areas which are more spatially distant from major urban or metropolitan areas. Comparative analysis is provided for: **Cumbria, Northumberland, Shropshire** (including Telford and Wrekin), **Suffolk** (including Ipswich), **Dorset** (excluding Bournemouth and Poole), **Devon** (excluding Plymouth) and **Cornwall**.



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